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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/037,563	12/21/2001	Ronald Earl Pruitt	6476/53629	7111

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EXAMINER

MEINECKE DIAZ, SUSANNA M

ART UNIT	PAPER NUMBER
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3692

MAIL DATE	DELIVERY MODE
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11/28/2007

PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No. 10/037,563	Applicant(s) PRUITT, RONALD EARL	
	Examiner Susanna M. Diaz	Art Unit 3692	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 28 August 2007.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-35 is/are pending in the application.
- 4a) Of the above claim(s) 14-18, 20-24 and 29-33 is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-13, 19, 25-28, 34 and 35 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. This non-final Office action is responsive to Applicant's election filed August 28, 2007.

Applicant elected Species IV without traverse; therefore, the restriction requirement is made final.

Elected claims 1-13, 19, 25-28, 34, and 35 are presented for examination. Non-elected claims 14-18, 20-24, and 29-33 stand as withdrawn.

Claim Rejections - 35 USC § 112

2. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

3. Claims 1-13, 19, 25-28, 34, and 35 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 1 recites details of an "investment style manager" and a "portfolio optimizer." It is not clear what the metes and bounds of the "investment style manager" and "portfolio optimizer" are. Are they software, hardware, or software executed by hardware? Applicant is reminded that apparatus claims are defined by structural elements and their corresponding functionality. The dependent claims (claims 2-13, 19, and 25) fail to remedy the questions regarding scope of the "investment style manager" and "portfolio optimizer"; therefore, the same rejections apply. It is also noted that dependent claims 6 and 7 specify that the portfolio optimizer includes means for

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modeling a tax code. Since an interpretation of the "means for modeling a tax code" under 35 U.S.C. 112, 6th paragraph would suggest that these means are a computer programmed with software for modeling a tax code (in light of Applicant's specification), it is implied that the portfolio optimizer also comprises at least a computer programmed with software. However, a broad, yet reasonable interpretation of an "optimizer" could merely require software, thereby adding to the confusion of the true metes and bounds of the recited portfolio optimizer.

Claims 26-28, 34, and 35 recite details of an "investment style manager." It is not clear what the metes and bounds of the "investment style manager" are. Is the manager software, hardware, or software executed by hardware?

Appropriate correction is required.

Claim Rejections - 35 USC § 102

4. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

5. Claims 1-13, 19, 25-28, 34, and 35 are rejected under 35 U.S.C. 102(e) as being anticipated by Schulz et al. (U.S. Patent No. 6,687,681).

Schulz discloses an apparatus allowing for tax-optimized, managed investment portfolios, comprising:

[Claim 1] an investor account database storing account data for a plurality of financial portfolios (col. 8, lines 18-61);

wherein the assets of each financial portfolio are allocated to at least one investment style manager, each investment style manager maintaining investment style data (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting);

a portfolio optimizer operative to optimize a financial portfolio for after-tax returns, factoring in risk, return, and tax costs, based on the investment style data corresponding to the investment style managers associated with the financial portfolio and the account data in the investor account database (col. 3, line 57 through col. 4, line 51;

Diversification and tax loss harvesting are utilized to maximize returns while minimizing tax loss, as seen in col. 2, lines 12-25, 60-64 and col. 4, lines 23-30. Schulz explains in col. 1, lines 11-23 that diversification involves minimizing risk while pursuing returns);

[Claim 2] wherein the investment style data is a model portfolio (col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

[Claim 3] wherein the investment style data allows for creation of a model portfolio (col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

[Claim 4] wherein the model portfolio data comprises a plurality of securities and their respective weights (col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

[Claim 5] wherein the portfolio optimizer is operative to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs (col. 5, lines 10-57; col. 6, lines 4-30);

[Claim 6] wherein the portfolio optimizer includes means for modeling a tax code applicable to the client associated with financial portfolio (col. 4, lines 31-67; col. 6, lines 4-30);

[Claim 7] wherein the means for modeling a tax code is operative to provide the incremental tax costs resulting from a given set of trades (col. 4, lines 31-67; col. 5, lines 10-57; col. 6, lines 4-30).

Schulz discloses an apparatus allowing for tax-optimized, managed investment portfolios, comprising:

[Claim 8] an investor account database storing account data for a plurality of financial portfolios (col. 8, lines 18-61);

wherein the assets of each financial portfolio are allocated between at least two asset classes (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting);

wherein each asset class has associated therewith at least one investment style manager, each investment style manager maintaining a model portfolio (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some

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of which are utilized for tax loss harvesting; col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

a portfolio optimizer operative to optimize a financial portfolio across asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the model portfolio data corresponding to the investment style managers associated with the financial portfolio and the account data in the investor account database (col. 3, line 57 through col. 4, line 51; Diversification and tax loss harvesting are utilized to maximize returns while minimizing tax loss, as seen in col. 2, lines 12-25, 60-64 and col. 4, lines 23-30. Schulz explains in col. 1, lines 11-23 that diversification involves minimizing risk while pursuing returns);

[Claim 9] wherein the portfolio optimizer is operative to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs (col. 5, lines 10-57; col. 6, lines 4-30);

[Claim 10] wherein the portfolio optimizer is operative to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs and tax preferences corresponding to the financial portfolio (col. 5, lines 10-57; col. 6, lines 4-30);

[Claim 11] wherein the model portfolio data comprises a plurality of securities and their respective weights (col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

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[Claim 12] wherein the investor account databases stores portfolio optimization settings in association with corresponding financial portfolios, and wherein the portfolio optimizer is operative to optimize a financial portfolio across asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the model portfolio data corresponding to the investment style managers associated with the financial portfolio and the account data and portfolio optimization settings in investor account database (col. 3, line 57 through col. 4, line 51; col. 5, lines 1-62; col. 6, lines 4-40; col. 8, lines 18-61; Diversification and tax loss harvesting are utilized to maximize returns while minimizing tax loss, as seen in col. 2, lines 12-25, 60-64 and col. 4, lines 23-30. Schulz explains in col. 1, lines 11-23 that diversification involves minimizing risk while pursuing returns);

[Claim 13] wherein the investor account database stores client preference data in association with corresponding financial portfolios, and wherein the portfolio optimizer is operative to optimize a financial portfolio across asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the model portfolio data corresponding to the investment style managers associated with the financial portfolio and the account data and client preference data in investor account database (col. 3, line 57 through col. 4, line 51; col. 5, lines 1-62; col. 6, lines 4-40; col. 8, lines 18-61; Diversification and tax loss harvesting are utilized to maximize returns while minimizing tax loss, as seen in col. 2, lines 12-25, 60-64 and col. 4, lines 23-30. Schulz explains in col. 1, lines 11-23 that diversification involves minimizing risk while pursuing returns);

[Claim 19] wherein the portfolio optimizer is operative to receive external transactions data relating to financial events external to the financial portfolio, and wherein the portfolio optimizer integrates the external transactions data into optimization of the financial portfolio (col. 5, lines 1-14; col. 7, lines 41-57);

[Claim 25] wherein the apparatus is operative to transmit calculated adjustments for a financial portfolio to an accounting system for trade execution (col. 5, lines 1-62).

Schulz discloses a method facilitating the maintenance of tax-optimized, investment portfolios, the method comprising the steps of:

[Claim 26] receiving investment style data from a plurality of investment style managers (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting; col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

receiving account data relating to a financial portfolio, wherein the assets of the financial portfolio are allocated to at least one investment style manager (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting); and,

optimizing the financial portfolio for after-tax returns, balancing risk, return and tax costs, based on the investment style data from the investment style manager(s) associated with the financial portfolio and the account data associated with the financial account (col. 5, lines 1-57; col. 6, lines 4-30);

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[Claim 27] wherein the investment style data for investment style manager includes data characterizing a model portfolio (col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

[Claim 28] wherein the optimizing step comprises the step of minimizing tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, transaction and tax costs (col. 5, lines 10-57; col. 6, lines 4-30);

[Claim 34] wherein the account data includes client data relating to financial events outside the financial portfolio and wherein the method further comprises the steps of calculating the net tax position of the client associated with the financial portfolio (col. 5, lines 1-62).

Schulz discloses a method facilitating the management of tax-optimized financial portfolios allocated between at least two investment style managers, the method comprises the steps of:

[Claim 35] maintaining a financial portfolio, wherein the assets of the financial portfolio are allocated to at least two investment style managers, wherein the investment style managers each maintain a model portfolio (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting; col. 2, lines 35-65; col. 4, lines 4-30; col. 5, lines 31-49; col. 6, lines 4-14);

receiving model portfolio data from the investment style managers associated with the financial portfolio (col. 3, line 57 through col. 4, line 51; col. 5, lines 10-13 – Each investor has multiple accounts, some of which are utilized for tax loss harvesting); and

calculating adjustments to the financial portfolio, balancing risk, return and the effect of taxes, to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio and to optimize after-tax returns (col. 5, lines 1-57; col. 6, lines 4-30).

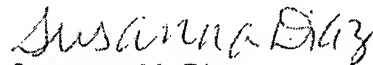
Conclusion

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Susanna M. Diaz whose telephone number is (571) 272-6733. The examiner can normally be reached on Monday-Friday, 8 am - 4:30 pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Kambiz Abdi can be reached on (571) 272-6702. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.



Susanna M. Diaz
Primary Examiner
Art Unit 3692

November 26, 2007